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## Agenda Item 3

October 17, 2011

### TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. **SUBJECT:** Growth-Public Equity Annual Program Review
- II. **PROGRAM:** Global Equity
- III. **RECOMMENDATION:** Approve External Manager Contract Extensions
- IV. **ANALYSIS:**

This agenda item provides a strategic review of the Global Equity program including recent accomplishments, historical performance, present activities, and future initiatives.

Staff requests one-year contract extensions for Global Equity's external managers. The external manager relationships utilize a standard contract, which requires annual one-year extensions, contingent upon Investment Committee approval. Contract extensions are not approved for the upcoming year, and are due to expire in December 2011. Extending these contracts will allow the external managers to continue managing CalPERS assets. All external manager contracts provide staff the ability to terminate the contract within 30 days' notice.

Attached are the following documents:

- Attachment 1 – Global Equity Annual Review
- Attachment 2 – External Manager Contract Extension list
- Attachment 3 – Wilshire Consulting Opinion letter
- Attachment 4 – Wilshire Consulting Disclosure letter

### V. RISKS

The risk associated with approving external manager contract extensions is the potential higher cost of external management if performance expectations are not met. Risks associated with not approving external manager contract extensions include transaction costs associated with terminating managers, opportunity costs associated with potential alpha loss, and higher fees and staff resources associated with new external manager solicitations.

## **VI. STRATEGIC PLAN:**

This item will further the following goals of CalPERS Strategic Plan:

- Goal VIII. Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.
- Goal IX. Achieve long-term, sustainable, risk adjusted returns.

## **VII. RESULTS/COSTS:**

There are no additional costs associated with this item.

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